Internal Risk Management--A Structured Approach

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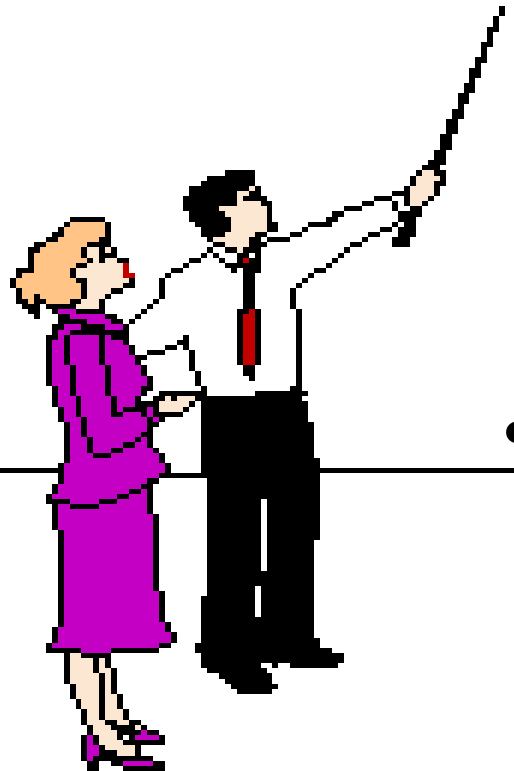
Agenda

- Background
- Changing the Approach
- The Policy
- Implementing the Policy
  - *Risk Planning*
  - *Risk Assessment*
  - *Risk Handling*
  - *Risk Monitoring*
  - *Risk Documentation*
- Closing/Questions



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Many Assessment Tools

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Problems

- Event driven
- Individual “stovepipes”
- Little integration
- Don’t adequately assess risk
- Field inundated
- Duplication of effort
- Communication breakdowns
- Limited consolidation of gaps
- Miss “the forest for the trees”

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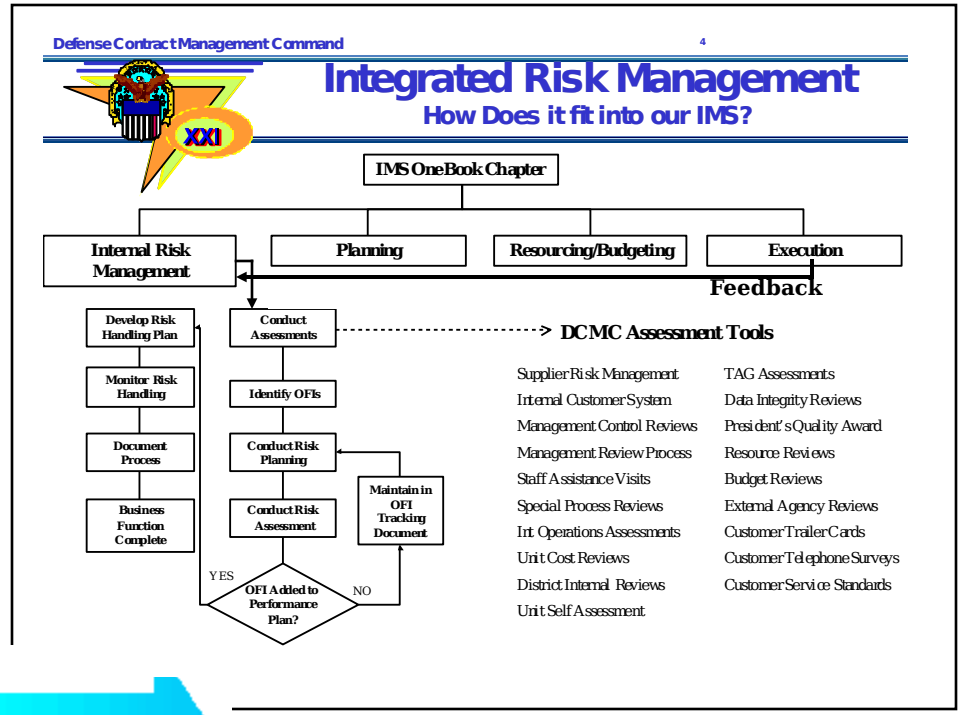
Changing the Approach

To transition from collection of "events" to an integrated management approach



Let's take a closer l

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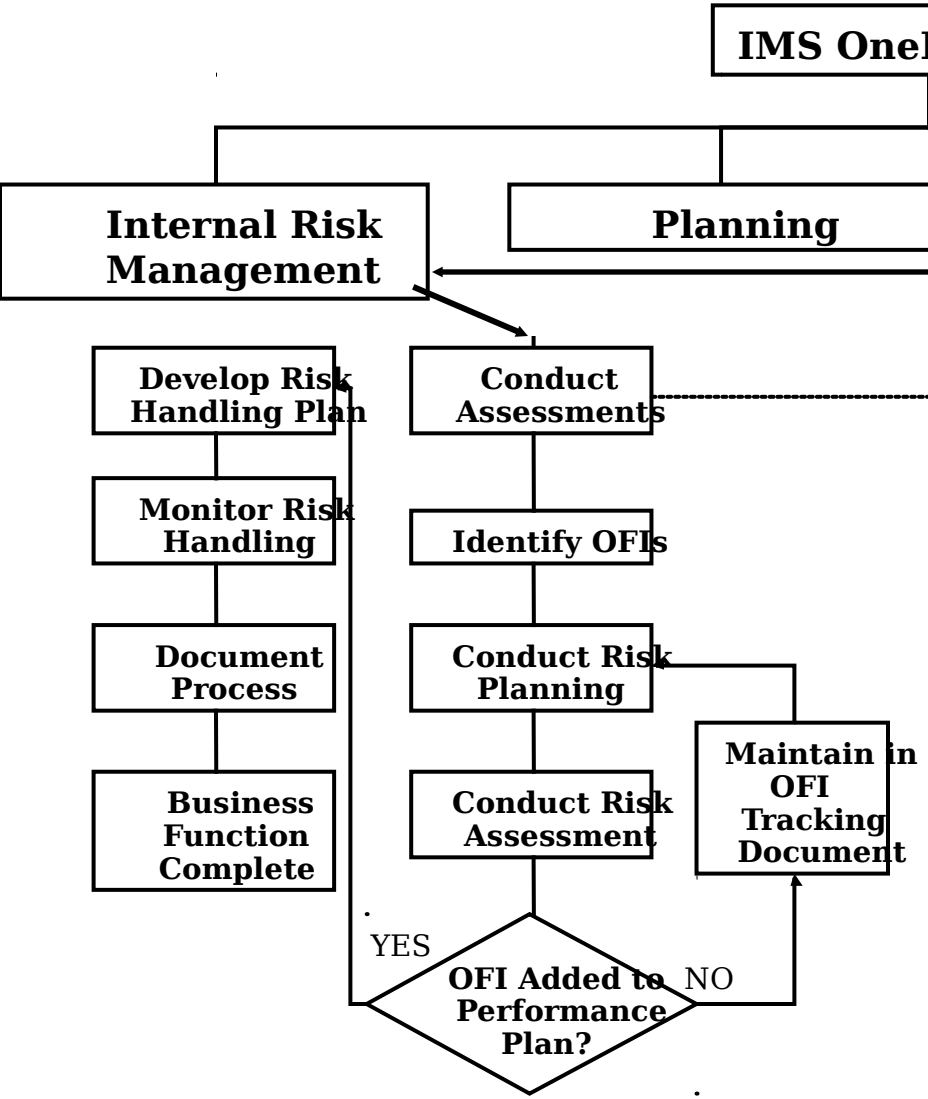
Internal Risk Management

How Does it fit into our IMS?



DCMA Assessment Tools

Goal 1: Deliver great customer service.

- Customer Trailer Cards
- Customer Telephone Surveys
- Customer Service Standards

Goal 2: Lead the way to efficient and effective business processes.

- Unit Self-Assessments
- Management Control Reviews
- Management Reviews
- Internal Operations Assessments

Goal 2 (continued)

- Special Reviews
- External Reviews
- Resource Reviews
- Budget Reviews
- District Internal Reviews

Goal 3: Enable DCMA people to excel.

- Internal Customer Syste

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Why the Change?

To not only consider risk but to …

Understand it,

Plan for it,

Resource to it, and

Act on it

The Policy

Same Approach

Same Terminology

One Book
DLAD 5000.4, Contract Management

0.1
Risk Management

Risk Planning
Risk Assessment
Risk Handling
Risk Monitoring
Risk Documentation

One Book
DLAD 5000.4, Contract Management

3.1
Supplier Risk Management

18 Process Chapters

One Book
DLAD 5000.4, Contract Management

12.1
Internal Risk Management

12.1.x
Tool Subchapters

Just different inputs

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Key Operating Precepts of our Integrated Approach

- **Use the same risk management approach on ourselves that we use on the contractors we manage**
- **Improve information flow**
- **Structured integration**
- **Phased implementation**
- **Simplify CMO reporting requirements**

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Policy Developed by a Team

- Debbie Tomsic DCMA HQ
- Bob Kennedy DCMA HQ
- Chuck Crippen DCMA Asmt Ctr
- Dave Rugg DCM Twin Cities
- Susan Clark DCM Atlanta
- Karen Cleaves DCMDE
- Valerie Edwards DCM Phoenix
- Linda Haymaker DCMDI
- David Hoshaw DCMDI

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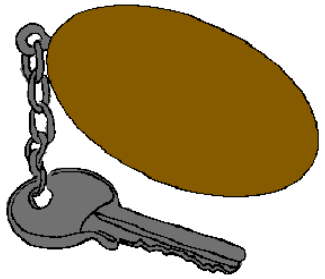
The Intent



- **Integrate, integrate, integ**
- **Risk-based prioritization of opportunities for improvement (OFIs)**
- **Work prioritized OFIs into Performance Plans**
- **A more comprehensive and risk-based review of problem areas and an actionable plan to fix them**

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DCMA Uses the DoD Model

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Risk Planning

- Review complete set of OFIs from all assessment activity to date
- Use management and planning tool (e.g., Affinity Diagram) to identify and understand interrelationships among OFIs
- Categorize like OFIs into logical, natural groups

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Risk Assessment

- **Identify and analyze risk associated with OFIs/OFI groups**
- **Prioritize OFIs based on risk (risk of not taking corrective action in response to a known OFI)**
- **Risk Ratings:**
  - ***High risk***
  - ***Moderate risk***
  - ***Low risk***
- **Internal Risk Assessment Matrix provided as a guide**

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Risk Handling

- **Based on risk ratings, determine "critical, top priority" OFIs/OFI groups**
- **Develop improvement strategies for all critical, top priority OFIs**

  Modify current year's Performance Plan as required or

  Add to next year's Plan (during regular planning/budgeting cycle)
- **Use root cause analysis or other management and planning tool**

Supplementing the Plan

- **<u>What has not changed</u> … CMOs must develop supplemental strategies for applicable performance and investment goals**
- **<u>What has changed</u> … guidance on adding OFIs changed to comply with new Internal Risk Management policy**
- **Things to remember:**
  - ***Tie strategies to existing performance and investment goals***
  - ***Use strategy boxes provided in Plan***
  - ***Identify "who" for implementing strategy--link to team level***
- **More information on Page C-4 of Performance Plan**

This is YOUR tool - not a District or HQ sledgeh

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Good Strategies …

- **Attack areas of greatest organizational risk**
- **Tie to DCMA goals**
- **Address root causes and not just symptoms**
- **Have discrete actions**
- **Clearly identify "who" and "when"**
- **Have milestones**
- **Are measurable**
- **Are communicated to workforce**
- **Lead to better performance and customer satisfaction**

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Risk Monitoring

- Via Management Review Process
- Track achievement of strategies in Performance Plan
- Evaluate impact achievement of strategies has on risk level
- Change strategies to match changes in risk ratings or employ new strategies if current ones are ineffective

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Risk Documentation

- Document results of previous four steps
- Use central repository (tracking document) for all OFIs
- Managed by one person--usually IMS focal point
- Command plans to automate in the future--DIRAMS module under development

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Closing

- Introduced at Commander's Conference (Nov 99)
- Published One Book chapter (Mar 00)
- Briefed at Group Leaders' Conference (Mar 00)
- Trained at Business Plan Workshop (Apr 00)
- Implementing during FY 01 Business Plan cycle
- Developing automated tracking tool
- Exploring other training options, e.g., satellite broadcasts
- Changes to assessment tool sub-chapters on the horizon
- More integration of assessment activity expected in the future (investment goal in FY 01 Performance Plan)

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Questions?